

Message Text

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ACTION EUR-12

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FM AMCONSUL MONTREAL
TO SECSTATE WASHDC 9088
INFO AMEMBASSY OTTAWA
AMCONSUL QUEBEC

UNCLAS MONTREAL 972

E. O. 11652: N/A

TAGS: ECON, CA

SUBJ: FEDERAL INCENTIVES FOR MONTREAL AREA INVESTMENT

1. FEDERAL REGIONAL ECONOMIC EXPANSION MINISTER MARCEL LESSARD ANNOUNCED YESTERDAY IN MONTREAL A FEDERAL INCENTIVE PROGRAM FOR MONTREAL ZONE IN WHICH FEDERAL GOVERNMENT WILL PROVIDE AT LEAST DOLS 60 MILLION IN INCENTIVES OVER NEXT THREE YEARS. PROGRAM IS DESIGNED TO GENERATE A MINIMUM OF DOLS 300 MILLION IN INVESTMENT AND CREATE 25,000 JOBS.

2. INTENT OF PROGRAM IS TO ENCOURAGE PRIVATE COMPANIES TO INVEST IN HIGH-PRODUCTIVITY RAPID GROWTH SECTORS SUCH AS METAL FABRICATION, MACHINERY, CHEMICALS, SCIENTIFIC AND ELECTRONIC PRODUCTS, ETC. INCENTIVES WILL BE GIVEN ON SELECTIVE BASIS AND WILL REFLECT FEDERAL GOVERNMENT'S POLICY OF MOVING DEVELOPMENT AWAY FROM IMMEDIATE MONTREAL AREA. MINIMUM CAPITAL COST FOR ELIGIBLE ENTERPRISES IS DOLS 100,000, WITH FEDERAL GOVERNMENT OFFERING INCENTIVES AS HIGH AS 25 O/O OF COST.

3. AFTER PUBLIC ANNOUNCEMENT OF DECISION, QUEBEC INDUSTRY AND COMMERCE MINISTER RODRIGUE TREMBLAY SAID THAT DRIFT OF UNCLASSIFIED

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INDUSTRY TO EASTERN ONTARIO MAY BE HALTED BY GOVERNMENT'S PROGRAM. HE SAID THAT THERE HAD BEEN DROP IN INVESTMENT IN MONTREAL REGION SINCE 1972 WHEN MONTREAL WAS OMITTED FROM REGIONAL EXPANSION PROGRAMS. PROVINCIAL GOVERNMENT, TREMBLAY SAID, HAD ASKED FEDERAL GOVERNMENT SEVERAL MONTHS AGO TO REDESIGNATE MONTREAL ZONE, MAKING IT ELIGIBLE FOR FEDERAL INCENTIVES. PROVINCIAL GOVERNMENT PLANS TO

ANNOUNCE ITS OWN PROGRAM INVOLVING LEGISLATION TO BOOST SMALL AND MEDIUM SIZE BUSINESS, RESPONDING TO COMPLAINTS THAT FEDERAL INCENTIVE PROGRAMS FAVOR ONLY LARGE FIRMS.

4. COMMENT: TIMING OF ANNOUNCEMENT OF FEDERAL PROGRAM IS OPPORTUNE, FOLLOWING BY ONE DAY NEWS THAT QUEBEC'S UNEMPLOYMENT RATE HAD RISEN IN MAY TO 10 O/O. WHILE INDUSTRY MINISTER TREMBLAY'S STATEMENT WAS OBVIOUSLY INTENDED TO GAIN SHARE OF CREDIT FOR PQ GOVERNMENT, ASSISTANCE FROM FEDERAL GOVERNMENT WILL AT SAME TIME DRAW ATTENTION TO BENEFITS THAT FEDERAL GOVERNMENT CAN PROVIDE.

5. OPINIONS ON EFFECT OF FEDERAL INCENTIVE PROGRAM ARE MIXED. MOST COMMON REACTION IS THAT MANY FIRMS MIGHT STILL HAVE DOUBTS ABOUT ADVISABILITY OF INVESTMENTS IN QUEBEC AT THIS TIME. FIRMS ON BORDERLINE, HOWEVER, MAY RESPOND POSITIVELY TO GOVERNMENT INCENTIVES.
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